



**City of Santa Barbara**  
Airport Department

**DATE:** January 21, 2015  
**TO:** Airport Commission  
**FROM:** Hazel Johns, Airport Director  
**SUBJECT:** Fiscal Year 2015 Interim Financial Statement and Completed Performance Objectives July 1, 2014 – December 31, 2014

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**RECOMMENDATION:** That Airport Commission accept the interim financial statement and the completed performance objectives for the six months ended December 31, 2014.

**Discussion:**

The interim financial statements are presented with a discussion of actual revenues and expenditure for 50% of the Fiscal Year.

Key Indicators

Total passenger traffic for the first six months of FY 2015 is down 10% from the same period in FY 2014. Total air operations are down 2.9% from the same period last fiscal year, due in large part to decreases in air taxi and local operations. General aviation operations were up 5.7%, and air carrier operations were up 19% (the air carrier increase appears to be an error in the data- staff is following up with the FAA, which collects and provides the data).

Overall, Airline Terminal concession sales are up 9.3% above projections, with an increase for restaurants of 10% and 24.8% for the gift shop. Rental car revenue is 17.3% above budget projections. Parking lot revenue is \$46,602 above budget, or 3.7%.

For all commercial/industrial buildings and land as of December 31, 2014, the Airport is collecting 92.3% of all possible rental income due to property vacancies. For non-commercial buildings and land, the rate of possible rental income collected is over 99%.

**Airport Operating Fund**  
Revenues

Airport Department second quarter operating revenue is 3% above budget at \$7,966,609.

**Commercial/Industrial** revenue is **7.9% below target** at \$2,093,168, primarily due to vacancies at two major properties. One of these properties has been rented by Big Brand Tire, which has made three payments during the FY2015 per the lease agreement. Additionally, property formerly leased by Freedom Photonics has been vacated for a monthly loss of \$8,605. Utility revenues are down significantly from the vacancy of the restaurant at 521 Firestone.

**Non-Commercial** includes the rental received from the Fixed Base Operators, air freight operators, Ampersand, and other general aviation users and is **6.9% above target** due to increased landing fee revenues from increased general aviation activity and the timing of landing fee receipts.

The **Airline Terminal** revenues are **9.3% above target** due to increased revenue from the rental car companies. The rental car companies have indicated a change in pricing to attract more customers. In addition, rentals by non-airport users have increased. The number of rental car contracts is up 4.4% versus the same period in FY2014.

**Commercial Aviation** revenue, Airline Terminal building rental and landing fees for the commercial airlines and airfreight, is **8.8% above budget**. Changes to the United aircraft fleet mix towards bigger planes have significantly increased boarding bridge usage and landing weights above budget projections. Revenues were also impacted by the timing of landing fee receipts. Similarly, freight and charter landing weights (and fees) have increased.

Overall the **Other** revenue category is **below target** by 54.9%. No reimbursement to date for a half-time maintenance staff person at the rental car QTA has been received. The rental car companies took over the maintenance of the QTA on January 1<sup>st</sup>, which will reduce revenues by \$21,828. Reimbursement from the TSA is also behind schedule. A one-time refund by the Goleta Water District for \$109,276 for expenditures in FY2014 is excluded from the calculations below.

Revenues	Annual Budget	YTD Actual	Remaining Balance	Percent of Variance
Commercial/Industrial	4,545,175	2,093,168	2,452,007	-7.9%
Non-Commercial Aviation	1,905,730	1,018,611	887,119	6.9%
Terminal	4,521,134	2,471,309	2,049,825	9.3%
Commercial Aviation	4,218,655	2,295,617	1,923,038	8.8%
Interest	121,300	52,432	68,868	-13.5%
Other	157,355	35,472	121,883	-54.9%
<b>Total Revenues</b>	<b>15,469,349</b>	<b>7,966,609<sup>1</sup></b>	<b>7,502,740</b>	<b>3%</b>

<sup>1</sup> Excludes one-time refund of \$109,276 from Goleta Water District for expenditures in FY14.

### Expenditures

Overall Departmental operating expenses are 9.6% below budget at \$7,136,062.

Expenses	Annual Budget	YTD Actual	Remaining Balance	Percent of Variance
Salaries & Benefits	5,723,701	2,619,928	3,103,773	-8.5%
Materials, Supplies & Services	6,446,159	2,826,763	3,619,396 <sup>2</sup>	-12.2%
Allocated Costs	1,500,542	750,271	750,271	0%
Special Projects	94,926	1,577	93,349	-96.7%
Transfers-Out	20,354	10,177	10,177	0%
Debt Service	1,815,718	907,859	907,859	0%
Equipment	80,794	19,487	61,307	-51.8%
Appropriate Reserves	103,856		103,856	
<b>Total Expenses</b>	<b>15,786,050</b>	<b>7,136,062</b>	<b>8,649,988</b>	<b>-9.6%</b>

<sup>2</sup> Remaining balance does not include encumbrances of \$693,752.

**Salaries and Benefits** are 8.5% below budget with vacant positions during the quarter in Administration, Maintenance, Business and Properties, Patrol, and Certification and Operations. Patrol vacancies are being covered with overtime and hourly employees.

The Airport tracks **Materials, Supplies and Services** in three categories: overall supplies and services, ARFF, and Engineering reimbursement. A variance of 12.2% below budget is found for overall supplies and services. **Supplies and Services** are 19.8% below budget; this calculation does not include encumbrances of \$693,752, the bulk of which are for maintenance-related contracts. **ARFF, Engineering, and Allocated Costs** will remain within the budgeted amounts.

**Special Projects** was reduced from an FY2014 budget amount of \$858,000 to \$94,926 for FY2015 to reflect the elimination of the Long-Term Lot 2 shuttle, with the exception of service during the holiday period. Long-Term Lot 2 remained closed throughout the holiday period, which will result in year-end savings of approximately \$88,000.

**Transfers out** were made to the T-hangar fund.

**Debt Service** for the Airline Terminal project is included in the budget. Payments will be made in December and June.

The **Equipment** budget is 51.8% below budget. Desktop computers were replaced throughout the department in the second quarter, but were not billed during the quarter.

### **Summary**

Airport revenues exceeded expenditures by \$830,547 in the first half of the year. The estimated impact of the departure of Frontier Airlines is a revenue loss of \$315,000 to the Operating Fund in FY2015. Additionally, the revised budget including rollovers has expenditures exceeding revenues by \$316,701.

Staff will continue to monitor expenses and reduce costs where possible and will continue to work on increasing revenues.

### **Capital Fund**

A number of Airport capital projects are complete or nearly complete, including the Crash Phone Replacement, replacement of turf with drought tolerant landscaping at buildings 333 and 334, restriping of handicapped parking spaces at Long Term Parking Lot 1, and tenant improvements at 6010 Hollister Avenue. Capital fund reserves at FY2014 year end were \$817,531. The Airport plans to use \$650,000 in reserves for required maintenance and improvements in order to lease the restaurant property at 521 Norman Firestone Road.

### **FAA Grant Fund**

An FAA Airport Improvement Grant (AIP) application for FY 2015 was submitted in December 2014 for the Airfield Lighting and Safety project. Notification of award is expected in summer 2015. Upon receipt of an AIP grant, Council action to adjust appropriations and set the budget for the grant projects will be prepared. As of December 31<sup>st</sup>, construction on the Runway 15L-33R Rehabilitation was 98% complete and wildlife surveys were being conducted in the field for the Wildlife Hazard Assessment and Management Plan Update.

### **Passenger Facility Charge (PFC) Fund**

On December 22, 2009, FAA approved Passenger Facility Charge application number 09-07-C-00-SBA in the amount of \$19,945,000. Revenues collected from this application will be used to pay bond debt service for the Airline Terminal Improvement Project. At FY2014 year end, the PFC Fund had a reserve of \$3,263,605. Funds collected including interest this fiscal year through December are \$671,540 plus interest earnings of \$17,692 for a total of \$689,232.

### **Customer Facility Charge (CFC) Fund**

Customer Facility Charge (CFC), a fee of \$10 on each rental car contract issued at the Airport, had a FY2014 year end reserve of \$1,282,457. Collection of CFC's in the first half of the year is up at 59.5% of budget. These funds are used to repay the City for the building loan. Additional revenue in the Fund includes reimbursement from SCE on the solar system, on target at 55.4% collected to date. Operational expenditures and billing to the rental car companies will be reconciled at year end to account for the rental car companies' assumption of responsibility for the maintenance of the QTA on January 1, 2015

### **T-Hangar Fund**

There have been limited vacancies in the Airport operated T-hangars during the last six months, and 52.2% of rental income has been received year-to-date. The Airport Operating Fund provides a subsidy for this Fund and will continue to do so until T-hangar rentals reach a level to cover the full cost of operations and debt service.

### **FY14 Fund Reserve Balances**

Attached are reserve balances for all Airport Funds, as of June 30, 2014. Reserve balances are positive for all funds with the exception of the FAA Grants Fund, which is awaiting reimbursement from the FAA, and the T-Hangar Fund. Fluctuations in the vacancy rate in the T-Hangars have led to a small negative reserve balance in the T-Hangar Fund.

### **P3 Objectives**

Objectives completed during the second quarter of FY2015:

- Conducted internal review of Department operations, programs, policies, and procedures and added, modified or eliminated as necessary.
- Revised Airport Security Program and submitted to TSA for approval.
- Conducted a tabletop exercise of the emergency plan.
- Installed a charging station for passenger electronic devices at the Airline Terminal.
- Replaced turf at buildings 333 and 334 with drought tolerant landscaping as a water conservation effort.

Attachment: Airport Funds- Reserve Balances, as of June 30, 2014



**CITY OF SANTA BARBARA**  
**Airport Funds - Reserve Balances**  
**June 30, 2014**

**AIRPORT OPERATIONS FUND (5700)**

Economic Uncertainty/Emergencies (15%)	\$ 2,352,427	
Future Years' Budgets (10%)	1,568,285	
Capital	309,078	
Total Required Reserves	4,229,790	
Reserves Above Policy	80,289	←
Total Reserves @ June 30, 2014	<u>\$ 4,310,079</u>	←
Reserves Above Policy @ 6/30/14	\$ 80,289	←
Budgeted Use of Reserves - FY 2015	-	
Available Reserves - FY 2015	<u>\$ 80,289</u>	

**AIRPORT CAPITAL FUND (5710)**

Reserves at June 30, 2014	\$ 1,515,787
Budgeted Use of Reserves - FY 2015	(698,256)
Available Reserves - FY 2015	<u>\$ 817,531</u>

**AIRPORT FAA GRANTS FUND (5720)**

Available Reserves @ June 30, 2014 *	<u>\$ (261,065) *</u>
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**AIRPORT PFC FUND (5730)**

Reserves at June 30, 2014	\$ 3,281,825
Budgeted Use of Reserves - FY 2015	(18,220)
Available Reserves - FY 2015	<u>3,263,605</u>

**AIRPORT CFC FUND (5740)**

Available Reserves - FY 2015	<u>\$ 1,282,457</u>
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**AIRPORT T HANGAR FUND (5750)**

Available Reserves @ June 30, 2014	\$ (39,272)
Budgeted Use of Reserves - FY 2014	-
Available Reserves - FY 2015	<u>\$ (39,272)</u>

**AIRPORT T BOND FUND (5761)**

Available Reserves @ June 30, 2014	\$ 4,111,536
Reserved for Debt Service	(4,111,536)
Available Reserves - FY 2015	<u>\$ -</u>

\* Reimbursement due from FAA